



FOR CLERK USE ONLY

City Council

Item No. **18**

REDEVELOPMENT AGENCY AGENDA FACT SHEET

Redevelopment Agency

Department

May 18, 2010

Requested Date

1. Request:RDA Approval ☐Information Only/
Presentation ☐Other (specify) ☒Hearing ☐**2. Requested Action:**

Direction to city staff who sit on the Calexico-County Enterprise Zone Joint Powers Authority board regarding submitting an application with the County of Imperial and the other incorporated cities in Imperial County to the State of California Housing & Community Development Department to have one large Enterprise Zone in Imperial County to include most commercial & industrial area. +

3. Fiscal Impact:

Revenue:

Increase ☐Source: Decrease ☐Amount: \$

Cost:

Increase ☐Source: \$ Decrease ☐Amount: Does Not Apply ☐**4. Reviewed By:**Finance Dept. on By: Comments: City Attorney on By: Comments:

Note: Back up must be submitted along with this form. Deadline is 5:00 p.m., 2 Fridays before the scheduled meeting date.

CLERK USE ONLY:CITY COUNCIL DATE: Action ☐Filing ☐Consent ☐Presentation ☐Hearing ☐Other(specify) ☐ Reviewed by: City Clerk City Manager Date Date



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www.calexico-countyez.com

To: Calexico City Council

From: Daniel Fitzgerald, Calexico-County Enterprise Zone Manager

Re: Formation of a Single Enterprise Zone in Imperial County, including all incorporated cities

Action Requested:

Direction to city staff who sit on the Calexico-County Enterprise Zone Joint Powers Authority board regarding submitting an application with the County of Imperial and the other incorporated cities in Imperial County to the State of California Housing & Community Development Department (HCD) to have one large Enterprise Zone in Imperial County that would include most commercial and industrial area.

Background:

This issue was brought to the Calexico City Council on February 16 and March 2. Direction was give to the CCEZ manager and city staff on the JPA to provide additional information as to how the proposed Enterprise Zone would function. As such, the CCEZ JPA directed the manager to compile the attached white paper along with the IVEZ manager and county staff.

The CCEZ manager will provide a power point presentation to summarize the paper.

Imperial County Wide Enterprise Zone

Prepared for the Joint Powers Authorities for the
Calexico-County Enterprise Zone
And
Imperial Valley Enterprise Zone

Daniel Fitzgerald, CCEZ Manager
Diane Cason, IVEZ Manager
Esperanza Colio, ICCED Manager

April 29, 2010

The County of Imperial, with the seven incorporated cities in the county and the Imperial Irrigation District, are exploring submitting a joint application to designate most of the commercial and industrial land in Imperial County as an Enterprise Zone. The state Housing and Community Development Department (HCD) released the 2010 application guidelines on April 15, 2010. Any application would be due on September 15, 2010. This paper will explore some of the key issues discussed by the Joint Powers Authorities of the two current Enterprise Zones in Imperial County. Specifically, some background on the issue will be provided, a summary of the benefits on an Enterprise Zone, possible management structures, questions about local incentives, suggested budgets including jurisdictional annual funding requirements, and the proposed boundaries of the Enterprise Zone.

Background

Imperial County is currently home to 2 of the 42 Enterprise Zone designations allowed in California. The Imperial Valley Enterprise Zone (IVEZ) was designated in March 2006 and will expire in March 2021. The IVEZ encompasses most of the City of Brawley and surrounding unincorporated county land. The IVEZ has expanded twice to include the Spreckels Sugar plant and the Cal-Energy Geothermal power plants. The Calexico-County Enterprise Zone (CCEZ) was designated in April 2008, retroactive to October 2006 to maintain continuity with the original Calexico Enterprise Zone that expired October 2006. The CCEZ will expire in October 2021. The CCEZ encompasses all of the City of Calexico and surrounding unincorporated county land, including the Gateway to the Americas industrial park located at the Calexico East Port of Entry.

In October 2009, the managers of the IVEZ and CCEZ were directed to ask the state about the possibility of merging the management of the 2 Enterprise Zones. At the annual CAEZ Conference, the managers spoke with John Nunn, the EZ Program Manager about that subject. Mr. Nunn agreed that the merger could happen, depending on its structure. But, Mr. Nunn suggested that the Imperial Valley should look at submitting a new application, merging the two current designations and including more areas in the County of Imperial, including the other incorporated cities. Since that time, Mr. Nunn has visited the Imperial Valley and made that same suggestion to county staff and officials and had the opportunity to meet with other jurisdictions. Mr. Nunn also indicated that the EZ Application would not need to be completed by a consultant, that he and his staff would assist the county to complete the application.

Since that visit, direction was requested from the County Board of Supervisors and both councils from Calexico and Brawley. The Board of Supervisors directed staff to move forward with the application, expressing support for a County Wide EZ. Both the Brawley Council and Calexico Council had questions and concerns. The IVEZ and CCEZ JPAs subsequently met and provided direction to both managers and the ICCED Manager to prepare this white paper to answer the stated concerns.

Enterprise Zone Benefits

An Enterprise Zone designation is the one tool that the State of California can provide an area as an incentive to attract, retain and expand business. Any business located in an Enterprise Zone is eligible for the following tax benefits:

1. Employer Hiring Credit

A business can receive a state tax credit for wages paid to employees for up to 5 years from the date of hire. This could result in savings of up to \$37,000 per hired employee.

2. Sales and Use Tax Credits

A business can receive a tax credit equivalent to the sales or use tax on the purchase of a qualified piece of equipment required to run the business.

3. Business Expense Deduction

Certain Property purchased for use within the Enterprise Zone may be deducted as a business expense on State Tax returns the first year it is placed in service.

4. Net Operating Loss Carryover

100% of losses incurred by a business within the Zone can be carried over for up to 15 years. That way you can apply the loss to years with income, leading to future savings. Also all EZ credits can be carried forward.

5. Net Interest Deduction for Lenders

This allows a lender to deduct from their taxable income the amount of "net interest" on loans made to a business located in the Enterprise Zone. This can help business owners negotiate a lower interest rate with a lender.

As one can see, these incentives provided to an Enterprise Zone by the State of California can greatly assist existing businesses in an EZ be more competitive and aid them to expand their business. Further, these benefits are critical for site selection of manufacturers and processors who may otherwise be looking at states other than California.

PROS AND CONS

The following are bullet points of possible Pros and Cons for changing to a County Wide EZ and the Pros and Cons of staying with the status quo of the 2 current designations. These are for discussion only.

COUNTYWIDE ZONE

PROS

- Competitive advantage over other states
- Competitive advantage over other areas within the state
- More sites to attract potential investors
- More tax credits available to local businesses keeping tax dollars locally
- Consistent regional marketing message
- Enhanced marketing for the area
- Reduced cost for current cities with EZ designation
- Opportunity for cities that are not currently in the EZ
- Expiration in 2025

CONS

- New expense for cities without current EZ designation
- Decreased local business promotion by having one EZ manager
- Defining an incentive program for each jurisdiction

RETAINING TWO EXISTING ZONES

PROS

- Competitive advantage within Imperial County over other jurisdictions
- Dedicated business promotion staff (EZ Manager)
- Current zones are working well
- Increased visibility for jurisdictions with EZ designation

CONS

- No reduction in cost
- Expiration in 2021
- Potential for new investor confusion
- Limited expansion opportunity

Management of a County Wide Enterprise Zone

As discussed earlier in this paper, one of the questions to be discussed is how would a County Wide EZ be managed. Both the City of Calexico and the City of Brawley enjoy a dedicated manager, so they naturally had questions regarding the management of the zone.

Enterprise Zones are tasked with goals and objectives. These include marketing, job creation, job retention, and voucher processing. Zone managers are involved in the communities they serve and are also heavily involved in economic development. Much of their time is spent outside of the office and they are often called upon to attend economic development activities outside of the area. Assistants are needed to staff the office and to assist in clerical activities including vouchering.

Both the Imperial Valley Enterprise Zone and the Calexico-County Enterprise Zone are currently managed by dedicated staff. They both have one manager and one assistant. Both zones are effective and on task with their goals and objectives. Vouchers are processed in a timely manner. Both managers are involved in their communities. Both managers support and assist with local business promotion efforts.

Management formats for Enterprise Zones vary throughout the State of California. Some Enterprise Zones are managed by county or city economic development personnel; others by local workforce development entities. Several enterprise zones have dedicated management staff and assistants. The following management scenarios are offered for consideration. A list of "pros and cons" is attached to each scenario

Two Dedicated Managers & Staff

This form of management would consist of two dedicated managers and two dedicated assistants. The County Wide EZ would be split north and south. The boundary line would be the city limits line of El Centro and Imperial. El Centro would be included in the south management section, Imperial in the north. The City of Holtville would be designated as south. The two dedicated staff members would rotate duties at the El Centro One Stop, thus enabling that facility and area to be staffed on a regular basis. One additional staff member may be required as activities increase.

Pros

- Marketing efforts are greatly enhanced by having two managers
 - Local event representation
 - Committee representation
 - Chamber representation
 - Council/Board meetings
 - Presentations
 - Tradeshows
 - Service Club memberships

- Current assistants are trained and able to handle the workload
- Current managers are experienced and work together on a regular basis
- City funds are better served by having a more dedicated business promotion person
- Staff supervision and duties would remain similar to the current setup
- Increased access for businesses

Cons

- Expense of two management salaries
- Possible confusion with two managers (who is in charge?)

One Manager & Staff

This form of management would consist of one dedicated manager and 3 dedicated staff. The staff would be housed at the El Centro, Brawley and Calexico One Stops. The manager would travel between locations.

Pros

- Cost savings on manager's salary
- Clearly defined management structure
- Full time staff at each One Stop
- Cost savings on operational expenses related to management (travel expenses, seminar costs, etc)

Cons

- Marketing efforts greatly reduced because of time restraints
- Cities will lose a dedicated business promotion person
- Additional expense of added staff employee
- Decreased access to businesses

Managed by IVEDC

IVEDC would assume management responsibility for the County Wide EZ. The EZ benefits would be marketed as another incentive. Added staff members would be employed by IVEDC to process the vouchers, etc. These staff members could also assist IVEDC in other duties as assigned. IVEDC would hire a dedicated staff person to market the Enterprise Zone benefits.

Pros

- Reduction in operational expenses
- One point of contact for economic development
- Use of existing expertise at IVEDC

Cons

- Reduced internal marketing effectiveness
- Not within the purview of the IVEDC
 - Goal of IVEDC is to market outside the valley
- Funding issues
 - Current public funding vs. additional public funding to administer EZ program
- Reduced community presence for the EZ
- Separation from the One Stop
- Cities would lose dedicated business promotion person
- Reduced access for business

Managed by WDB

Workforce Development would take over management of the County Wide EZ. Dedicated staff would be hired or redirected to facilitate the management, marketing and work of the EZ.

Pros

- Reduction in expenses
- Workforce and hiring tax credits in one place
- Availability to staff at all three One Stop locations

Cons

- Reduced external marketing effectiveness
- Funding issues
- Reduced community presence for the EZ
- Lack of expertise
- Decreased access for businesses
- Cities would lose dedicated business promotion person

As noted above, both expense and effectiveness must be considered when addressing the management of an enterprise zone. Ultimately the effectiveness of an enterprise zone will determine its success or failure. Therefore the "two manager" form is recommended.

Local EZ Incentives

One of the requirements of an Enterprise Zone application is for the local jurisdictions to provide local business incentives to complement the EZ tax credits provided by the state. After surveying the other Enterprise Zones in the state, the types of incentives are varied and typically vague. Here are a few examples:

Pasadena: Business License Fee Waivers

Los Angeles: 5 year decreasing electric rate subsidy through LADWP. Starting at 35%

Fresno City: Business License Fee Waiver – 3 years

Madera: None

Salinas Valley: Varied through the RDAs of the participating jurisdictions

Tulare County: Five year development fee deferral

As such, the current programs in place in each of Imperial County's jurisdictions could be used as local incentives for the County Wide EZ. For example, the City of El Centro façade improvement program or the currently low permit fees in the City of Brawley. That said, if possible, the Imperial Irrigation District could implement a program similar to LADWP for businesses in the Enterprise Zone. That would be an incentive that covers the entire area. Otherwise, existing programs can be used as business incentives.

Funding to Administer and Promote the EZ

The CCEZ and IVEZ are both currently funded by the County of Imperial, the IID and the respective cities for an annual budget of \$180,000 each EZ. Each jurisdiction has committed to contribute up to \$60,000 annually to fund the management and marketing of the EZ. Combined, both EZs have a budget of \$360,000.

Attached are two proposed budgets to administer and market a single zone. The managers would recommend the option at \$390,000 to effectively promote and administer an Enterprise Zone the size of Imperial County. However, it could be done at the lower amount. Further, the managers recommend the funding calculation to be simple in that the four larger jurisdictions (Calexico, El Centro, Imperial and Brawley) pay an equal amount - \$30,000. The IID and County of Imperial pay a larger, yet equal amount, equivalent to their current funding for the IVEZ and CCEZ -- \$120,000. The smaller jurisdictions (Calipatria, Holtville and Westmorland) would pay equal amounts, yet less than the other, larger jurisdictions - \$10,000.

Alternatively, the funding could be based on available commercial and industrial acreage in each of the incorporated cities, such as calculated for the Imperial Valley Foreign Trade Zone.

(see attached spreadsheets for proposed annual budget options)

County Wide EZ Boundaries

While the specific boundaries of the County Wide EZ would need to be determined by the planning departments of the participating cities and County of Imperial, the conceptual boundaries have been discussed with HCD. While the state does not require that the entire EZ boundaries be contiguous, the majority of the territory should. So, the EZ will include commercial and industrial areas in all the jurisdictions. It could follow primary transportation corridors to connect key cities, such as Hwy 111 and Dogwood Rd to connect El Centro, Heber and Calexico, and Hwy 86 and Dogwood to connect Imperial and Brawley. Non-contiguous areas could include all of the designated geothermal areas near the Salton Sea.

(sample map to be provided by ICPDS)

Key Parts within HCD Application to Note

- Target Dates
 - June 15, 2010 – Submit eligibility petition (optional)
 - July 15, 2010 – Submit proposed boundaries (optional)
 - September 15, 2010 – Submit application (5:00pm)
 - September 30, 2010 – Technical review complete
 - October 29, 2010 – Respond to technical deficiencies
 - November 30, 2010 – Complete scoring results
 - December 2010 – Announce conditionally designated zones

- Scoring Criteria (1,250 points)
 - Marketing Strategy Plan (must score 150 out of 250 points)
 - Available Property & Businesses (must score 120 out of 200 points)
 - Job Development (must score 105 out of 175 points)
 - Planning and Local Incentives (must score 125 points)
 - Economic Development Financing Program (100 points)
 - Unemployment and Area Income Levels (100 points)
 - EZ Program Management and Vouchering (150 points)
 - Infrastructure and Capital Improvement Plans (150 points)

Conclusion

This white paper was prepared by the current EZ staff and the ICCED Manager under the direction of the JPAs for both the CCEZ and IVEZ. The questions answered herein regarding a discussion of Pros and Cons, possible management structure, local incentives, budgets and the HCD application were to better understand the implications of a County Wide EZ.

**Imperial County Regional Enterprise Zone
Conceptual Budget**

REVENUE

City of Calexico	\$	30,000.00	
City of El Centro	\$	30,000.00	
City of Imperial	\$	30,000.00	
City of Brawley	\$	30,000.00	
City of Westmorland	\$	10,000.00	
City of Calipatria	\$	10,000.00	
City of Holtville	\$	10,000.00	
County of Imperial	\$	120,000.00	
Imperial Irrigation District	\$	120,000.00	
Total Revenue			\$ 390,000.00
Total Funding FY 09-10			\$ 390,000.00

MARKETING EXPENSES

Direct Mail	\$	4,000.00	
Graphic Design & Video Production	\$	5,000.00	
Mileage Reimbursement	\$	10,000.00	
Print Advertisement	\$	5,500.00	
Flyers, Brochures & Other Printing	\$	8,500.00	
Trade Shows & Expos	\$	30,000.00	
Training & Networking Conferences	\$	7,000.00	
Meals and other travel expenses	\$	7,000.00	
EZ Hosted Seminars & Workshops	\$	7,500.00	
eNewsletter	\$	3,000.00	
Promotional Items	\$	4,135.00	
Website	\$	10,000.00	
Total Marketing Expenses			\$ 101,635.00

OPERATING EXPENSES

Dues, Membership & Subscriptions

CAEZ	\$	450.00	
CALED	\$	160.00	
Int'l EDC	\$	345.00	
IVEDC	\$	1,000.00	
Chamber of Commerce Memberships	\$	1,050.00	
Total Dues, Memberships & Subscriptions			\$ 3,005.00

Office Expenses

Equipment	\$ 1,500.00
Office Supplies	\$ 1,500.00
Postage	\$ 500.00
Parking Passes	\$ 360.00
Insurance	\$ 4,000.00
Rent	\$ 15,500.00

Total Office Expense \$ 23,360.00

Salaries

Northern Zone Manager	\$ 84,000.00
Clerical Assistant	\$ 27,000.00
Southern Zone Manager	\$ 84,000.00
Clerical Assistant	\$ 27,000.00

Total Salaries \$ 222,000.00

Taxes & Benefits

Payroll Taxes and Benefits (Assistant)	\$ 20,000.00
Payroll Taxes and Benefits (Assistant)	\$ 20,000.00

Total Taxes-Payroll \$ 40,000.00

TOTAL EXPENSES \$ 390,000.00

**Imperial County Regional Enterprise Zone
Conceptual Budget**

REVENUE

City of Calexico	\$	22,500.00	
City of El Centro	\$	22,500.00	
City of Imperial	\$	22,500.00	
City of Brawley	\$	22,500.00	
City of Westmoreland	\$	10,000.00	
City of Calipatria	\$	10,000.00	
City of Holtville	\$	10,000.00	
County of Imperial	\$	120,000.00	
Imperial Irrigation District	\$	120,000.00	
Total Revenue			\$ 360,000.00
Total Funding FY 09-10			\$ 360,000.00

MARKETING EXPENSES

Direct Mail	\$	2,000.00	
Graphic Design & Video Production	\$	2,500.00	
Mileage Reimbursement	\$	10,000.00	
Print Advertisement	\$	4,500.00	
Flyers, Brochures & Other Printing	\$	5,000.00	
Trade Shows & Expos	\$	25,000.00	
Training & Networking Conferences	\$	5,000.00	
Meals and other travel expenses	\$	5,000.00	
EZ Hosted Seminars & Workshops	\$	3,000.00	
eNewsletter	\$	1,500.00	
Promotional Items	\$	2,135.00	
Website	\$	6,000.00	
Total Marketing Expenses			\$ 71,635.00

OPERATING EXPENSES

Dues, Membership & Subscriptions

CAEZ	\$	450.00	
CALED	\$	160.00	
Int'l EDC	\$	345.00	
IVEDC	\$	1,000.00	
Chamber Memberships	\$	1,050.00	
Total Dues, Memberships & Subscriptions			\$ 3,005.00

Office Expenses

Equipment	\$ 1,500.00
Office Supplies	\$ 1,500.00
Postage	\$ 500.00
Parking Passes	\$ 360.00
Insurance	\$ 4,000.00
Rent	\$ 15,500.00

Total Office Expense \$ 23,360.00

Salaries

Northern Zone Manager	\$ 84,000.00
Clerical Assistant	\$ 27,000.00
Southern Zone Manager	\$ 84,000.00
Clerical Assistant	\$ 27,000.00

Total Salaries \$ 222,000.00

Taxes & Benefits

Payroll Taxes and Benefits (Assistant)	\$ 20,000.00
Payroll Taxes and Benefits (Assistant)	\$ 20,000.00

Total Taxes-Payroll \$ 40,000.00

TOTAL EXPENSES \$ 360,000.00